

The Impact of Competency Entrepreneurship on Micro, Small, Medium Enterprises Performance

Elsa Nanda Utami¹, Hendrati Dwi Mulyaningsih²

¹Telkom University, Bandung, Indonesia

²Universitas Islam Bandung Indonesia

Abstract

This research is conducted on MSME (Micro Small Medium Enterprises) that are participated in the MSME Syari'ah Mentoring Program by Academition and Practitioners (PUSPA) organized by Bank Indonesia in Bandung. MSME who participated in PUSPA program 2016 is MSME that included in necessity entrepreneur where MSME operated just to fullfil the life necessities. This program aims to improve the competence of entrepreneurship owned by MSME in term of knowledge, attitudes, and skills. Increased in the entrepreneurial competence will have an impact on MSME performance both on financial term by the increase in income and non-financial term namely by the increased of the knowledge and skills like simple accounting, managing the production process, how to market the product, and know the procedures for obtaining the venture capital. The purpose of this research was to investigate the influence of the entrepreneurial competence on the MSME performance in PUSPA program 2016. Researcher used quantitative research method. This research use sampling technique on non-probability sampling that is saturated sampling because the members of population less than 30 people and the entire population is a sample. Total sample in this research is 20 respondents. Data collecting in this research is done by distributing questionnaires to all respondents that is MSME that participated in PUSPA program 2016. Data were analyzed using simple regression analysis and descriptive-causal analysis. The result showed that entrepreneurial competence affect the performance of MSME that participated in PUSPA Program 2016. Based on the calculation, coefficient of determination (R²) can be seen the influence of entrepreneurial competence variable (X) on the performance (Y) is 61.7%. While the remaining 38.3 is influenced by other factors such as mentoring, motivation, and human resources.

Keywords: *Entrepreneurship; Entrepreneurship Competence; Performance*



This is an open access article under the CC-BY-NC license.

INTRODUCTION

Micro, small, and medium enterprises (SMEs) now have an important role in driving the growth of the Indonesian economy. With the SME sector, unemployment as a result of the labor force which is not absorbed in the world of work is reduced.

The majority of SMEs that are in Indonesia is the type of necessity entrepreneurs means someone who become entrepreneurs out of necessity to make ends meet (Ir. Ciputra). The MSMEs are also included in the Grass-root (grassroots) or the lower class that has many limitations in terms of material and non material that needs to be assisted in starting new businesses.

SMEs in Indonesia requires hard work to pour the creativity of its products in order to compete in the business world. However, if the condition of the field, many of them able to compete and do not thrive or even folded. Based on the interview (September, 2016) with some SMEs that the difficulties faced by SMEs is the income of SMEs erratic or volatile and tend to be no improvement, it is also influenced by the habits of SMEs which can not separate personal finances and business finances so that

the business carried not developed due to lack of investment by revenues. SMEs often lack the capital for the gains of penjualann used to meet the needs of day - day. SMEs also did not record or bookkeeping business so difficult to see the turnover and profit earned. In addition, SMEs have not fully consistent with the business, they do not sell regularly and business management is still very modest. Parameters or the success of SMEs can be seen from different points of view as intended by Meredith and Siropolis in Mulyaningsih et al (2008), which measure business performance can be seen from the perspective of quantitative and qualitative.

Based on the background described above, the formulation of the problem in this research are:

1. How kompetensi entrepreneurship in SMEs PUSPA program 2016?
2. How is the performance of SMEs in PUSPA program in 2016?
3. How does the entrepreneurial competence on the performance of SMEs reviewed PUSPA program in 2016?

This study aims to identify and analyze:

1. Knowing the competence of entrepreneurship in SMEs PUSPA program 2016
2. Know the performance of SMEs in the program in 2016 PUSPA
3. Determine the influence of entrepreneurial competence on the performance of SMEs the program PUSPA 2016

LITERATURE REVIEW

Basic Characteristic

According to Suryana (2006: 18) entrepreneurship is a dynamic process to create added value for goods and services or the ability to create something new and different by entrepreneurs who have the courage to bear the risk, devote time and effort as well as provide a variety of goods and services which then produces money and the satisfaction and personal freedom.

Entrepreneurship can also be interpreted as a mental attitude and the nature of the soul is always actively seeking to improve their work in the sense of improving earnings.

Entrepreneurship Characteristic

Buchari Alma concluded that an entrepreneur is an entrepreneur who in addition is able to engage in general and trade in particular economics of appropriate (appropriate and useful, effective and efficient) also independent spiritual and physical character and virtuous. The ideal of an entrepreneur is a person who thinks in a state of emergency, however, still be able to help him get out of the difficulties it faces, including overcoming poverty without help from the government or social agencies. And in normal circumstances (not emergency) an entrepreneur is able to make himself forward, rich, successful spiritual and physical.

According Endi Sarwoko, Surachman, Armanu, and Djumilah (2013) entrepreneurial characteristics have a significant influence on business performance. entrepreneurial competence as mediation in the relationship between entrepreneurial characteristics and performance of the business. This means a more robust entrepreneurial characteristics will lead to increased competency owners of SMEs, which will ultimately affect the performance of the business.

Entrepreneurship Competence

In terms of the concept has been proposed by some experts about the ability or competence of a concept which is the determining factor for a person to produce a very good performance.

Resulting ability of knowledge (responsive to the information, techniques and facts), skills / expertise (skills on an important task to accomplish its behavior is more complex) and talent (potential abilities undeveloped or fully implemented)

Hostager, Neil, and Lorentz (1998: 13) argues that Ability Refers to the full range of capabilities and resources available within the corporation for use in accomplishing any of the various tasks of intrapreneurship / entrepreneurship.

Furthermore it is said that the ability of individuals consist of:

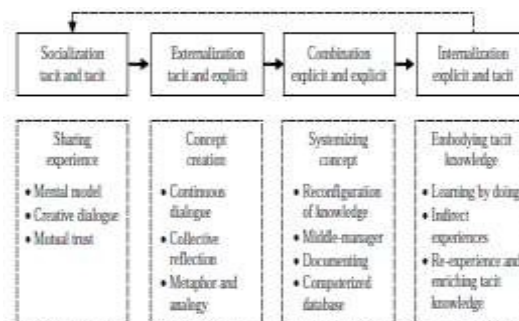
1. Knowledge
2. Skills
3. Kreativity
4. experience

According to Peggy A. Lambing & Charles R Kuehl (1999) every successful entrepreneur has four basic elements, namely:

1. The ability (to do with IQ and skill)
2. Courage (to do with EQ and Mental)
3. Persistence (Relationship with self-motivation)
4. Creativity (Relation to Experience).

By combining Hostager opinion, Neil, and Lorentz (1998: 13), Peggy A. Lambing & Charles R. Kuehl (1999) and by Donald F. Kuratko (2004: 116), the measurement of entrepreneurial capabilities as follows:

1. Knowledge (Knowledge)
2. Attitude (Attitude)
3. Skills (skill)



Source: Song (2008, p. 92)

(Song, 2008, p.92)

The second mode, externalization (E), converts collective tacit knowledge into sharable explicit concepts. Compared with socialization, where knowledge has not yet been justified for sharing explicitly with others and interactions tend to be loosely defined, externalization tends to take place

through formal team meetings and collaborative work assignments to create and codify applicable concepts (Nonaka et al., 2000). Leaders are in the prime position to provide visions for anchoring knowledge creation directions and arrange work assignments to mobilize this phase. Here, language and symbols (e.g. metaphors, figures, diagrams, and analogies) play a critical role in converting collaborating individuals' inductive and deductive thinking to new and mutually understandable perspectives and insights (Nonaka, 1994; Nonaka et al., 2000). When tacit knowledge is made explicit through member interactions, "knowledge is crystallized, thus allowing it to be shared by others, and it becomes the basis of new knowledge" (Nonaka et al., 2000, p. 9).

The third phase of combination (C), is necessary to convert team-level explicit concepts into organization-wide knowledge assets to be leveraged. This process connects and combines distributed explicit experiences to create a systematic knowledge system, and middle managers and cyberspaces (e.g. information and virtual technology systems) play key roles in this process (Nonaka and Takeuchi, 1995; Nonaka et al., 2000). Middle-level managers constantly link and evaluate vision, strategies, and business performances to systemize working concepts (Nonaka and Takeuchi, 1995). At the same time, technologies facilitate the process of gathering, organizing, editing, categorizing, and incorporating newly converted explicit knowledge into existing organizational knowledge by creating and disseminating documents, routines, and work rules to be applied across the organization (Nonaka and Konno, 1998).

Through the last phase of internalization, I, new and constantly evolving organizational explicit knowledge is converted into individuals' tacit knowledge, which is also constantly growing and changing. Individuals' experimentations with new organizational knowledge and reflections critically affect the course of internalization. Additionally, to promote effective internalization, verbalized and diagrammed knowledge needs to be transferred into documents, manuals, or oral stories in order to help individuals indirectly experience what others do (Nonaka and Takeuchi, 1995). This tacit knowledge accumulated at the individual level can then trigger a new spiral of knowledge creation when it is shared again with other members through socialization (Nonaka et al., 2000). All together, the complete cycle across four modes is the transcendental process in which individual knowledge becomes group- and organizational-level knowledge, then back to the individual level.

For instance, socialization within work units or externalization of ideas in cross-functional teams shapes individual knowledge into group-level knowledge. Then this knowledge is further promoted and distributed to the organizational-level through managers and information systems through the combination phase. In his discussion of organizational learning and knowledge management (KM), Spender (2008) pointed out that both topics, although seemingly different at the surface level to focus on the process of learning and the outcome of learning, respectively, share the common foundation of leveraging human interactions for goal-driven activities with the research body of KM laying emphasis on identifying, storing, and optimizing knowledge assets, and delivering the result to needed locations. Behaviors proposed as essential for organizational knowledge creation and conversion are distinct; thus, the four modes of the SECI theory should be tested for nomological relationships (Benson and Hagtvet, 1996).

Appreciative Inquiry

Appreciative Inquiry is a product of the positive psychology and organizational change movements developed in the 1980s by David Cooperrider and his colleagues at Case Western Reserve University (Cooperrider & Sekerka, 2003). Whitney and Trosten-Bloom (2003) describe AI as "a form of

personal and organizational change based on questions and dialogues about strengths, successes, values, hopes, and dreams.” The technique focuses on positive energy rather than negative energy.

The appreciative inquiry process reflect a set of principles drawn from current theory and research in the human and social sciences:

1. The constructionist principle, which depicts organizations as being invented and maintained through social interaction.
2. The principle of simultaneity, which helps organizations understand that inquiry and change are simultaneous. Once an inquiry is made and a question is asked, the change process begins.
3. The poetic principle, which describes how organizations as compilation of their past, present and future knowledge, subject to a variety of interpretations.
4. The positive principle, which describes how organizations change more easily in an environment that supports and encourages innovation.
5. The anticipatory principle, which states that an organization’s potential can be anticipated through analysis of the stories told about it by its stakeholders. This anticipation guides the organization into the future.

The AI process initiates and fosters a conversation within an organization which prompts participants to tell the narratives that define the organization and the individuals who comprise it. The conversation then reframes these narratives in a way that fosters transformation. This is achieved by following a four-phase model known as the 4-D Cycle: discovery, dream, design, and destiny. The “discovery” phase aims to identify the “best of what is” by soliciting and capturing stories about positive knowledge of the current situation. Stories are central to the AI process; they serve to create and foster images of success. The “dream” phase focuses on “what might be.” In contrast to the type of critical reflection that is practiced in traditional transformative learning, this approach uses a process of appreciative reflection which emphasizes the positive knowledge of the current condition. This avoids the dissonance that is inherent in the critical approach. During the “design” phase, “provocative propositions” or design statements are articulated. The stories generated in the discovery, dream, and design phases stimulate the collective imagination to envision a desired future. The fourth phase, “destiny,” defines “what will be”; it yields action plans to achieve the design statements.

METHODOLOGY

The paper is conceptual paper using literature review as methodology.

RESULT AND DISCUSSION

The model focuses on the Socialization (tacit-tacit transfer knowledge) in SECI model through Appreciative inquiry in order to improve level of trust, creates positive dialogue and positive emotions in interaction.

Socialization is the originating shared space that converts individuals’ tacit knowledge gained through formal or informal observation, imitation, and work-based experiences to collective tacit knowledge, emerging as shared mental models of work norms and culture (Nonaka and Takeuchi, 1995). This initial knowledge creation supports that the primary root of organizational knowledge is always individual employees (Tsoukas, 1996). Effective socialization requires promotion of diversity, continuous interactions, supportive collaborations, and boundary-crossing interactions among

employees, even with customers, suppliers, and competitors (von Krogh et al., 2000, 2001). Encouragement of creative dialogues and mutual trust, particularly on the part of organizational leaders is very important for effective sharing (Nonaka and Takeuchi, 1995). To becoming a positive and creative dialogue and mutual trust between employees, they need to build positive and appreciative each other in interaction through systematic steps to find out the positive emotion and optimize socialization phase.

The Appreciative inquiry is a steps of how dialogues become more positive and appreciative in order to optimize the tacit-tacit transfer knowledge through steps as stated below:

1. Discovery

First steps, invite dialogue partner to describes a moment or experience or knowledge which make them proud of their self. This moment proposed to improve the positive feeling between dialogue partner. Everybody should listen the stores carefully. Find out the secret things from the moment/experience/knowledge that they get. What the important things that make them so proud of the knowledge or experiences. Find the other moment/experience/ knowledge that make them so proud and finds out the pattern how they get them. From the pattern, find out the strength of the self to get the experience or the knowledge. This is a session to find out the best of the self from each dialogue partner.

2. Dream

Find out the possibility and the benefit of their knowledge for their self, group or organization. Reinforced it until dialogue partner can describe how useful the knowledge of their self to organization.

3. Design

The focus on this steps are how the dialogue partner can invite to the partner to describing the experience/Knowledge steps by step and detail. This steps can used 5 W & 1 H process (What, Where, When, Who, Why and How)

4. Destiny

Find out the systematic knowledge that has been described before and support to not to stop to get more and more knowledge in different context.

ACKNOWLEDGEMENT

The author would acknowledge Mr Jan Tjakraatmaja and team which conduct the major of Knowledge Management and Learning Organization in School of Business and Management Institut Teknologi Bandung.

REFERENCES

- Brătianu, C., & Orzea, I. (2010). Organizational knowledge creation. *Management & Marketing*, 5(3), 41-62.
- Cooperrider, D. and Srivastva, S. (1987). Appreciative Inquiry in organization life. In Pasmore, W. And R. Woodman. (Eds.) *Appreciative Inquiry: Rethinking Human Organization Towards a Positive theory of Change Campaign*. Il. Spite Publisher.
- Hoon Song, J., Uhm, D., & Won Yoon, S. (2011). Organizational knowledge creation practice: Comprehensive and systematic processes for scale development. *Leadership & Organization Development Journal*, 32(3), 243-259.
- Long, K. (2010). Appreciative sharing of knowledge at the US Army Command & General Staff College. In *Proceedings of the Annual International Conference on Business Cases (ICBC)* (Vol. 20210).

- Merx-Chermin, M., & Nijhof, W. J. (2005). Factors influencing knowledge creation and innovation in an organisation. *Journal of European Industrial Training*, 29(2), 135-147.
- Nonaka, I. and Toyama, R. (2007). Why do firms differ? The theory of the knowledge-creating. In Ichijo, K. and Nonaka, I. (Eds), *Knowledge Creation and Management: New Challenges for Managers* (pp 13-31), Oxford University Press.
- Nonaka, I., & Toyama, R. (2005). The theory of the knowledge-creating firm: subjectivity, objectivity and synthesis. *Industrial and corporate change*, 14(3), 419-436.
- Nonaka, I., & Toyama, R. (2003). The knowledge-creating theory revisited: knowledge creation as a synthesizing process. *Knowledge management research & practice*, 1(1), 2-10.
- Nonaka, L., Takeuchi, H., & Umemoto, K. (1996). A theory of organizational knowledge creation. *International Journal of Technology Management*, 11(7-8), 833-845.
- Nonaka, I., & Takeuchi, H. (1995). *The knowledge-creating company: How Japanese companies create the dynamics of innovation*. Oxford university press.
- Nonaka, I. (1994). A dynamic theory of organizational knowledge creation. *Organization Science*, 5(1), 14-37.
- Nonaka, I. (1991), "The knowledge-creating company", *Harvard Business Review*, 69(6), pp. 96-104
- R. J. Vidmar. (1992, Aug.). On the use of atmospheric plasmas. *IEEE Trans Plasma Sci*. [Online]. 21(3), 876-880.